

**PUBLIC DISCLOSURE**

JULY 25, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

NORWOOD CO-OPERATIVE BANK

11 CENTRAL STREET  
NORWOOD, MA 02062

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **NORWOOD CO-OPERATIVE BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory."**

This rating is based on the bank's performance under five criteria, which are evaluated within the performance context section of this Public Evaluation. Particular emphasis was placed on the bank's record of lending to individuals of various incomes within the assessment area.

Norwood Co-operative Bank's record of lending to borrowers of different incomes is very good. The bank is ranked second in lending to low and moderate-income borrowers compared to 303 other financial institutions and mortgage companies within its assessment area. The bank exceeds standards for satisfactory performance in this criterion.

The average net loan to deposit ratio for the period examined is 83.8 percent and is considered significant, thus exceeding the standards for satisfactory performance.

The bank did not meet satisfactory standards under the criterion of Lending within the Assessment Area. In 2000, the amount of residential loan originations decreased substantially. However, lending year to date July 11, 2001 has shown some improvement. Norwood Co-operative Bank was among the top lenders in 1999, ranking third out of 303 lending institutions operating in the assessment area with a market share of 2.94 percent.

The Geographic Distribution of Loans was determined to be reasonable given the demographic housing data within the assessment area. Norwood Co-operative Bank did not receive any CRA related complaints since the prior examination and the fair lending examination revealed no evidence of discriminatory acts or practices.

Norwood Co-operative Bank has demonstrated a commitment to its community by contributing a considerable amount of time and financial expertise to local housing authorities in the development of affordable housing within its assessment area. The bank continues to be involved in two affordable housing projects within its assessment area. Although the developments are not comprised primarily of affordable housing units,

the projects are completed under the Commonwealth of Massachusetts Local Initiative Program (LIP), which promotes affordable housing development. Due to the success of these projects, Norwood Co-operative Bank earned a strong reputation with the Commonwealth of Massachusetts Department of Housing and Community Development (DHCD). As a result, DHCD referred Norwood Co-operative Bank to other towns actively involved in LIPs. The bank's assistance to local housing authorities and its offering of flexible lending programs has enhanced the bank's lending to low and moderate-income applicants.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Norwood Co-operative Bank is a mutually owned institution chartered by the Commonwealth of Massachusetts. The bank's sole office is headquartered at 11 Central Street, Norwood, Massachusetts. A branch office that was also located in Norwood was closed on December 31, 2000.

The bank's business hours are considered reasonable and convenient to the assessment area. Extended hours are offered during the week and the office is open on Saturdays. An automated teller machine (ATM), linked to the NYCE, Cirrus, MAC and SUM networks, is maintained at the bank's location.

As a member of the SUM Program, which is a surcharge-free alliance of several financial institutions including over 1,000 ATMs throughout Massachusetts, the bank's ATM/Debit cardholders can avoid ATM surcharges by conducting business at alliance members' ATMs bearing the SUM logo.

Norwood Co-operative Bank originates loans to hold in its loan portfolio, as well as to sell on the secondary lending market. The bank offers a variety of residential, commercial and consumer loan products. Along with its traditional products, the bank offers special programs with flexible lending criteria designed to assist the needs of low and moderate-income borrowers. These programs consist of its first time homebuyer program and special government sponsored loan programs such as loans offered by the Massachusetts Housing Finance Agency First Time Home Buyer program (MHFA).

As of June 30, 2001, the total loan portfolio was approximately \$185 million or 73.0 percent of the bank's \$253 million in total assets. Norwood Co-operative Bank is primarily a real estate lender with 39.7 percent of its loan portfolio secured by residential properties, 31.5 percent secured by commercial real estate and 24.7 percent secured by construction, land development and other land loans. Commercial non-real estate loans and consumer loans make up the remainder of the loan portfolio.

Based on the bank's current resources and size, there does not appear to be any limitations on the bank's ability to meet the various credit needs of the community. The last examination for compliance with the Community Reinvestment Act was conducted by the Federal Deposit Insurance Corporation (FDIC) on July 20, 1999. That examination resulted in a rating of Outstanding.

## **Description of Assessment Area**

The Community Reinvestment Act requires a financial institution to identify an assessment area in which it intends to focus its lending efforts. Norwood Co-operative Bank defines its assessment area as the towns of Norwood, Walpole, and Westwood. The entire assessment area is located in Norfolk County and the Boston Metropolitan Statistical Area (MSA).

In total there are 11 census tracts within the bank's assessment area of which 7 are middle-income and 4 are upper-income. There are no low or moderate-income census tracts located within the assessment area.

The assessment area is primarily comprised of owner occupied, single family residential units. According to 1990 U.S. Census data, these three communities combined have a total population of 61,482, with a total of 16,333 family households, 22,133 total households, and a total of 23,165 housing units. Of these total housing units, 67.7 percent are designated as owner-occupied and 28.4 percent as renter-occupied units. The weighted average median housing value in the assessment area is approximately \$196,111. The U.S. Bureau of the Census defines a household as all persons occupying a housing unit. A Family Household is defined as having two or more persons related by birth, marriage or adoption occupying the same housing unit.

Real estate prices within the assessment area have increased over the past few years. The median sales price in the Town of Norwood for 1999 was \$205,500 compared to the median sales price for the first six months in 2001 of \$252,750. The median sales price in the Town of Walpole was \$221,500 in 1999 compared to the current median sales price of \$262,250. The median sales price in the Town of Westwood was \$337,500 in 1999 and \$405,500 in 2001. (These figures were reported by the Warren Group.)

During this examination, a community representative was contacted to gain information about the assessment area. The contact stated that the increasing real estate prices, combined with high closing costs and downpayment requirements, make it increasingly difficult for low and moderate-income families to purchase homes within the area. The community representative identified a need for affordable loan programs with reduced closing costs and flexible downpayment requirements to assist low and moderate-income families.

Competition within the bank's assessment area is significant. The bank's competition includes both state and national chartered financial institutions located within its assessment area. Aggregate data, for lending performance purposes only, consists of 303 (both large and small) mortgage companies, savings banks, commercial banks, co-operative banks, and credit unions, which have originated and/or purchased residential mortgage loans and/or home improvement loans within the bank's assessment area.

## **PERFORMANCE CRITERIA**

### **1. NET LOAN-TO-DEPOSIT ANALYSIS**

Norwood Co-operative Bank's average net loan to deposit ratio is considered to exceed the standards for satisfactory performance. The ratio was calculated by using the data reported in the previous eight quarterly Federal Financial Institutions Examination Council (FFIEC) Call Reports (September 30, 1999 to June 30, 2001). This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits.

Norwood Co-operative Bank's quarterly net loan to deposit ratios have ranged from a low of 79.4 percent as of September 30, 1999 to a high of 91.1 percent as of March 31, 2001. The average net loan to deposit ratio for the past eight quarters is 83.8 percent. Over the period reviewed, the bank's loans have increased by 38.6 percent, while deposits for the same period increased 27.0 percent. The increase in loans is primarily due to the steadfast economy.

The bank's net loan to deposit ratio was compared to the ratios of two other local institutions. The ratios used were as of March 31, 2001. Norwood Co-operative Bank was in line with these institutions.

In addition, Norwood Co-operative Bank sells loans on the secondary market, which enables the bank to recycle funds and extend additional credit. In 1999, 2000 and 2001 the bank sold 190 loans totaling \$23,568,250. Despite selling loans on the secondary market, the bank continues to maintain a high net loan-to-deposit ratio. Taking into account Norwood Co-operative Bank's resources, local lending opportunities and market characteristics, the bank's performance under this category is determined to exceed the standards of satisfactory performance.

### **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)**

Norwood Co-operative Bank's lending inside of its assessment area does not meet the standards of satisfactory performance for the period under review. An analysis of lending inside the institution's assessment area was performed by reviewing the 1999, 2000 and year to date July 11, 2001 Home Mortgage Disclosure/Loan Application Registers (LAR). During this period, the bank originated 432 loans totaling \$73,655,000. Of this amount, 211 (48.8% of the number) totaling \$32,356,000 (43.9% percent of the dollar) were within the bank's assessment area. The Town of Norwood accounted for the majority of both number and dollar amount of HMDA-reportable loans, which is expected since the bank's sole office is located in this town. There was no other concentration of lending in any community outside of the assessment area. The following table depicts the distribution of

HMDA reportable loan originations by number and dollar amount inside and outside of the bank's assessment area.

<b><i>Distribution of HMDA Loans Inside and Outside of the Assessment Area</i></b>										
<b>Year</b>	<b>Number of Loans</b>					<b>Dollars in Loans (000s)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
<b>1999</b>	92	51.7	86	48.3	178	13,348	45.9	15,756	54.1	29,106
<b>2000</b>	42	43.8	54	56.2	96	6,884	41.6	9,631	58.4	16,515
<b>*2001</b>	77	48.7	81	51.3	158	12,124	43.3	15,910	56.7	28,034
<b>Total</b>	<b>211</b>	<b>48.8</b>	<b>221</b>	<b>51.2</b>	<b>432</b>	<b>32,356</b>	<b>43.9</b>	<b>41,297</b>	<b>56.1</b>	<b>73,655</b>

Source: HMDA LAR, Cra Wiz (1999-\*year-to-date July 11, 2001)

Market statistical data for calendar year 1999 compiled by PCI Services, Inc. CRA Wiz indicated that Norwood Co-operative Bank ranked 3<sup>rd</sup> in market share for HMDA-reportable originations and purchases throughout its assessment area, out of 303 lenders. The bank's market share was 2.94 percent. Those lenders ranking higher consisted of a large mortgage company and a bank with a much larger asset size.

The number of loans, however, decreased substantially by 54.3 percent from 1999 to 2000. Management attributed the decline to the loss of the bank's loan originator, who assumed another position at the bank. With less than a majority of the bank's HMDA-reportable loans inside of the assessment area, the bank does not meet the standards of satisfactory performance in this category.

### **3. LENDING TO BORROWERS OF DIFFERENT INCOMES**

The bank's residential loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the Boston Metropolitan Statistical Area (MSA). These income figures are based on estimated Department of Housing and Urban Development (HUD) information. The estimated median family incomes in 1999, 2000, and 2001 were \$62,700, 65,500, and \$70,000 respectively.

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as income between 50 and 79 percent of the median family income level for the MSA. Middle income is

defined as income between 80 and 119 percent of the median family income level. Upper income is defined as income greater than 120 percent of the median family income level.

The following table shows by number and percentage, HMDA-reportable loans to low, moderate, middle and upper-income borrowers in comparison to the number of family households in the assessment area in each respective income group. The following table also compares Norwood Co-operative Bank's lending to borrowers of various incomes to that of the aggregate for 1999.

<b>Distribution of HMDA Loans by Borrower Income</b>											
<b>Median Family Income Level</b>	<b>% Families</b>	<b>Aggregate Lending Data 1999</b>		<b>1999</b>		<b>2000</b>		<b>*2001</b>		<b>Total</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	12.3	97	3.2	5	5.4	3	7.1	4	5.2	12	5.7
<b>Moderate</b>	15.7	314	10.3	18	19.6	10	23.8	10	13.0	38	18.0
<b>Middle</b>	25.8	659	21.7	28	30.4	7	16.7	18	23.4	53	25.1
<b>Upper</b>	46.2	1,437	47.3	41	44.6	22	52.4	45	58.4	108	51.2
<b>N/A</b>	0.0	530	17.5	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	100.0	3,037	100.0	92	100.0	42	100.0	77	100.0	211	100.0

Source: U.S. Census, HMDA LAR (1999 through \*year-to-date July 11, 2001), HMDA Aggregate Data for 1999.

The bank has shown strong performance in its lending to moderate-income borrowers as the bank's volume of loans to moderate-income borrowers has exceeded the level of moderate-income households within the area. In addition, the bank's level of lending to moderate-income borrowers in 1999 was higher than the level reported by all other HMDA-reporting lenders within the area. For example, in 1999, the bank made 19.6 percent of its loans to moderate-income borrowers, compared to the aggregate, which made only 10.3 percent of loans to moderate-income borrowers.

The bank has also demonstrated a strong performance in lending to low to moderate-income borrowers in terms of the dollar amount of loans. During the period examined, the bank made 14.8 percent of the dollar amount of loans to low and moderate-income borrowers or \$4.79 million in loans. In 1999, the bank made 16.48 percent of total loan dollars to low to moderate-income borrowers. In comparison, the aggregate made 7.96 percent of its loans to low to moderate-income borrowers.

Lending to low and moderate-income borrowers is good considering the increasing real estate prices within the area. Although, the bank's level of lending to these income levels appears low when compared to the number of low and moderate-income households within the area, it is favorable when compared to the aggregate.



A review of aggregate market share data for 1999 obtained from PCI Services, Inc., CRA Wiz, indicated that Norwood Co-operative Bank was ranked the second highest lender among 303 institutions in lending to low and moderate-income applicants with a 5.3 percent market share.

The distribution of lending for the time frame under review reflects an excellent penetration among individuals of different income levels, given the demographics of the bank's assessment area, the increasing real estate prices and the competition within the assessment area. Based on the above information, Norwood Co-operative Bank exceeds the standards for satisfactory performance for this category.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

An analysis of HMDA reportable loans extended within the various census tracts contained in the bank's assessment area was conducted during the examination. The bank's assessment area is comprised of 11 census tracts. Of these census tracts, 7 or 63.6 percent are designated as middle-income, and 4 or 36.4 percent as upper-income. The bank's assessment area does not contain any low or moderate-income census tracts. For the period under review, Norwood Co-operative Bank granted loans in every census tract within its assessment area.

Based upon the characteristics of the bank's assessment area, the distribution of loan originations in the middle and upper-income census tracts appears to be reasonable and meets the standards for satisfactory performance. The following table shows the geographic distribution of loan originations for the period covered.

#### **ORIGINATIONS BY CENSUS TRACT**

<b>Census Tract</b>	<b>1999</b>		<b>2000</b>		<b>*2001</b>		<b>TOTAL</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>			<b>#</b>	<b>%</b>
Middle	74	80.4	39	92.9	68	88.3	181	85.8
Upper	18	19.6	3	7.1	9	11.7	30	14.2
<b>Total</b>	<b>92</b>	<b>100.0</b>	<b>42</b>	<b>100.0</b>	<b>77</b>	<b>100.0</b>	<b>211</b>	<b>100.0</b>

Source: HMDA/LAR Data 1999 through \*year-to-date July 11, 2001.

As the above table suggests, the majority of loans or 85.8 percent were made in middle-income census tracts. Loan dollars followed this pattern as well, with 83.7 percent of the dollar amount of loans made within middle-income census tracts during the period examined.

Considering the distribution of census tracts within the assessment area, and also taking into account the disproportionately high cost of building or acquiring a home within Norwood Co-operative Bank's assessment area the bank is doing a good job in meeting the needs of the middle-income areas.

## **5. REVIEW OF COMPLAINTS/ FAIR LENDING POLICIES AND PRACTICES**

Based upon the review of the bank's public comment file and its performance relative to fair lending policies and practices the institution meets the standards for satisfactory performance. The bank has not received any complaints from consumers regarding its CRA performance. Norwood Co-operative Bank's Fair Lending Policy, which is incorporated within its Lending Policy, was last revised and approved by the Board of Directors in December 2000. This policy is considered adequate and addresses the guidelines set forth in the Division of Bank's Regulatory Bulletin 2.3-101.

The Bank's Human Resources Representative conducts diversity training for all employees on an annual basis. As of July 2001, the bank had a total of 45 full-time employees and 10 part-time employees, some of whom are bi-lingual in Portuguese, Gaelic, and Spanish. One employee is proficient in American Sign Language. Officers and employees of the bank are involved with numerous community organizations, which allow them to better ascertain the needs of the community. Surveys are also conducted in an effort to identify the needs of customers and prospective customers. The bank's marketing efforts reach individuals of all income levels and effectively cover the entire assessment area. Management conducts and participates in several homebuyer seminars throughout its assessment area.

Norwood Co-operative Bank provides customers who have delinquent mortgage payments with a list of outside credit counseling services. To ensure consistency in underwriting practices, management conducts a second review of all denied residential loan applications. Two loan officers must concur for the declination to be valid, prior to sending the adverse action notice.

The bank verifies the accuracy of the HMDA/ LAR data on a monthly basis as well as annually. In addition, an outside consulting firm prepares an analysis of the bank's lending activity and assessment area demographics on an annual basis.

### **MINORITY APPLICATION FLOW**

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. According to 1990 census data, the bank's assessment area contained a total population of 61,482 individuals, of whom 3.4 percent are minorities. In 1999, 2000, and year-to-date July 11, 2001, the bank received 269 residential loan applications from within its assessment area. During this period, 10 applications or 3.7 percent, were received from minorities.

The bank's minority application flow for this period was compared with the racial make-up of its assessment area as well as with the 1999 aggregate data for all other HMDA reporters within the assessment area. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow.

Aggregate information indicated that, of the 3,965 HMDA-reportable applications received from other lenders within the assessment area in 1999, 3.6 percent were from minorities. By comparison, Norwood Co-operative Bank's minority application flow for the same period was 3.1 percent.

To ensure that equal treatment of all applicants is practiced, a review of a sample of mortgage applications was performed during this examination. A loan file comparison between declined and approved applications was conducted. No evidence of discriminatory or other illegal credit practices was noted.

### ***Affordable Housing***

It is evident that the bank is willing to originate loans to low and moderate-income applicants by participating in government programs and offering flexible products.

The bank's success in reaching low and moderate-income applicants is largely attributed to the assistance Norwood Co-operative Bank has given to local housing authorities. Since 1995, the bank has been actively working with a local housing authority, town officials, and real estate developers in completing the development of two mixed-income housing projects within the bank's assessment area. The projects included 156 single-family colonial-style houses, of which 25 percent were reserved as affordable houses for lower-income families. The affordable houses are also colonial-style houses that are indistinguishable from the other colonials. Norwood Co-operative Bank contributed considerable time and financial expertise by completing income verifications for all of the applicants and sponsoring educational workshops for the homebuyers. The bank also provided special financing through MHFA to lower-income families to purchase the homes. Norwood Co-operative Bank financed the majority of the affordable homes.

Although outside of its assessment area, Norwood Co-operative Bank is currently involved in two other affordable housing projects. As a direct result of the success of the two aforementioned developments, the Massachusetts Department of Housing and Community Development (DHCD) specifically referred Norwood Co-operative Bank to assist other towns in expanding their supply of affordable housing.

### ***Flexible Lending***

Norwood Co-operative Bank offers several flexible lending programs. The "**Pre-approved Advantage**" program is a no cost educational/loan program available to any consumer. The program allows a potential homeowner to both target an accurate price range in the housing market as well as gain a thorough understanding of the financing process. The bank pre-approved 197 applications in 1999; 148 applications in 2000; and 62 applications in Y-T-D 2001,

The bank's **"First-Time Home Buyer Advantage"** program is offered to all new homebuyers and offers the borrower reduced costs through a waiver of the application fee and a reduction in the interest rate. Additionally, for those borrowers at or below the FNMA low to moderate-income level, there are expanded ratios and lower down payments available. The bank granted 48 loans under this program totaling \$6,329,627 in 1999, 19 loans totaling \$2,794,880 in 2000, and 18 loans totaling \$3,445,812 in year-to-date July 11, 2001.

The bank offers the **"Massachusetts Housing Finance Agency (MHFA)"** program that is strictly for first-time homebuyers of low or moderate income. There are income and purchase price limits, which are set by the MHFA and vary by town and family size. This program offers a below market fixed rate.

The bank offers the **"Purchase-Rehab Advantage"** program that allows a borrower to purchase a home and fund renovations to the property for improvement. The bank tries to tailor the structure of the loan terms to best fit the needs of the individual consumer.

**THE COMMONWEALTH OF MASSACHUSETTS**

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**NORWOOD CO-OPERATIVE BANK**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JULY 25, 2001**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.